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Light gold

[London?]

[1884?]

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LIGHT GOLD:

ITS WITHDRAWAL FROM CIRCULATION.

LONDON, May 5, 1884.

SIR,

In the Act of 1870, "An Act to Consolidate and Amend the Law relating to the Coinage and Her Majesty's Mint," the onus of cutting and defacing *light gold* is laid on *everybody* without penalty for non-compliance, so that the work has not been done, and the gold coins have been allowed to become lighter and lighter, until a very large proportion are unfit for circulation.

The Bank of England and certain Government offices have weighed the gold, and cut and charged for the light pieces; and except for this cause operating, there would have been a much larger quantity of light coins in circulation at the present time.

Many of the other banks have, however, done their utmost to keep the light coins in circulation, and so escape the loss entailed in sending them to the Bank of England.

But the difficulty of getting rid of quantities of *light gold* without sending them to the Bank has become greater and greater during later years, owing to the increase of light pieces, notwithstanding the number cut by the Bank.

The loss on gold cut as light has mainly been borne by the banks and by importers who cannot find an outlet for light pieces at their nominal value.

Now as bankers are the agents of those who use, wear, and enjoy the convenience of the gold coinage, and who may therefore be reasonably held liable for its repair, it appears to me that a simple addition to the law as it stands, compelling bankers and dealers to issue for circulation only those sovereigns and half-sovereigns which are of legal current-weight, is all that is necessary to ensure the withdrawal of the *light gold*.

It will be quite in the power of bankers and dealers to charge the difference against the parties from whom they receive the *light gold*, if they are so disposed. At present bankers do so in respect of certain of their clients or customers who pay in large quantities of *light gold*, but it is not easily arranged, as the law lays no special obligation upon them to withdraw the light coins.

There is no disputing the fact that gold coins must be weighed, that they may be kept of full weight and value, within a small limit; and it does appear that for the purpose the legitimate weighers of the gold coins in circulation are the bankers, whose duty it should become to withdraw the light coins from circulation.

Each person cannot be expected to have at hand the apparatus necessary for weighing the gold coins he receives, but as they will naturally within a short delay pass into some bank, they should there be safe against re-issue, and in due course be re-coined.

By this process the gold currency would regain its legal and just weight, and would be maintained standard in weight, or within the allowed remedy or limit for wear, without disturbance or departure from sound financial principles.

It will be observed that the plan I propose will virtually land the loss on the *last holder*, which has been considered, and no doubt is the safe and proper course, for once depart from this principle and a host of difficulties must arise.

The injunction contained in the Act of 1870 to every person by himself or others to cut, break, or deface any coin below the current weight tendered to him in payment, the person tendering the same to bear the loss, should remain operative. It would no doubt to some extent be acted upon under the proposed alteration of the law, and provide an additional means for securing the early return to the melting-pot of coins worn light.

The manner in which the plan I have suggested can best be carried out, having in view the very large number of light gold coins now in circulation, deserves much consideration.

It should not be attempted in its completeness suddenly, but gradually accomplished, either by dealing first with coins bearing certain early dates and then with those of later dates; or, irrespective of dates, first with those very light, and then with others not so light, so arranging that within a convenient period the whole of the *light gold* might be withdrawn from circulation and be replaced by new coins of standard weight.

I may say a word more on the question as to who should pay for re-instating the worn gold. The often repeated arguments against a Mint charge must be considered conclusive; but to those urged against the tax-payer bearing the burden, I may add that even should the tax-payer be willing, it would be most unwise, for the *user* would then lose interest in maintaining the gold currency at standard weight, and the natural and most valuable check against its fraudulent reduction would be gone. Coins returned from abroad, worn or otherwise become light far away from our tax-payer, would have to be exchanged at his expense for fresh and full-weighted coins perhaps to be exported!

It is for the last holder of a gold coin, as of everything else, to see that he is not defrauded, but that he has received full or sufficient value.

When the plan proposed is in operation light gold will soon become scarce, so that the *last holder* will not require to trouble himself seriously.

It is not generally appreciated that the *last holder* really is everybody who owns and uses gold coins, and that no individual more than another is placed at a disadvantage as such.

In stating my views on this question, I think it unnecessary to discuss at length the project for renewing the worn sovereign by the debasement of the half-sovereign to a *token*! seriously advanced by the Chancellor of the Exchequer; it seems to have been put forward by him under the stress of not knowing what to do, while the state of the gold currency demands that something should be done. The scheme is not new, and would be worthless to assist a Chancellor of the Exchequer in want of means, while we should have

*the anomaly of a coin of the realm nine shillings in value competing for circulation as a half-sovereign with coins of the same appearance which could be manufactured in quantities at a profit by the *unlicensed*, even if they contained tenpence-worth more gold than the legitimate but less valuable coin. Could the public reasonably object to accept in exchange the purer coin? Would they question where it was made? Could the Bank refuse such a coin because it contained too much of the more precious metal? How could it be treated to ascertain that it was not sufficiently adulterated to conform to the law? I think we should all prefer our gold coinage to be made where its standard would be maintained at the highest, so that the experiment of *token gold*, if attempted, could not succeed. It would be indeed curious to find forgers of coin not charged with having issued bad or debased money, but rather with having improved upon the value of the legalized issue.

The plan I have explained for the withdrawal of *light gold* is based on sound and ascertained principles, and will I hope be found generally acceptable; for while it is simple and easy to carry out, it is fair to all, and will ensure the maintenance of the gold currency of the kingdom permanently at its just, honest, and legal weight.

Your obedient Servant,

S.

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